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SUBJECT: SENEGAL SUPPLEMENTAL BUDGET FOR OIC PROJECTS, PARASTATAL,
AND PRSP

REF: A. DAKAR 588
[1](#)B. DAKAR 1925

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[1](#)1. (SBU) SUMMARY: On September 28, Senegal's National Assembly approved a supplemental budget for the current fiscal year, augmenting targeted expenditures by eleven percent following the successful issuances of treasury bonds in June and August 2007, recent announcements of new loans from Saudi Arabia and Kuwait, and greater than expected revenues from import duties. Budget Minister Sarr explained that the new funds would target the Agency for the Islamic Conference Organization's (ANOCI) infrastructure projects, help for Senegal's electricity parastatal's budget woes, and undefined goals under Senegal's PRSP. This supplement does not take into account the proceeds from the sale of the third telephone license to Sudatel (Ref B), the revenues collected from airline passenger tickets to support Senegal's new airport project, nor the anticipated proceeds from the sale of GOS's shares in Sonatel and ICS, announced to take place in the near future. This plan may help the Wade administration meet its political agenda, but is not sufficient for its poverty reduction requirements. END SUMMARY.

WHERE'S THE MONEY COMING FROM, WHERE'S IT GOING?

[1](#)2. (U) In presenting his goals for a supplemental budget to the National Assembly on September 28, Budget Minister Ibrahima Sarr explained that the treasury had available CFA 174 billion (approximately USD 348 million) in extra revenues which represents 11 percent of the total expenditures of the original FY (and calendar) 2007 budget. Sarr outlined the sources of the additional revenue as: CFA 132 billion (USD 264 million) from the successful June and August offering of Treasury bonds, a new CFA 26 billion "concessional" loan (USD 52 million) from Saudi Arabia, a new CFA 5 billion loan from Kuwait (USD 10 million), and CFA 11 billion (USD 22 million) in excess revenue from import duties.

[1](#)3. (U) Sarr told the Deputies that CFA 10 billion (USD 20 million) will be allocated to ANOCI to speed up the constructions of hotels and the conference center for the Organization of Islamic Conferences (OIC) summit scheduled for March 2008. The government has recently admitted that it is behind schedule on constructing new hotel space for the summit, and has recently committed to spending a reported USD 200 million on renovations to Dakar's premier hotel, Le Meridien President, (including shutting the place entirely from mid-October to Mid-November), on new "presidential villas" for heads of state, and two new mosques.

[1](#)4. (U) Senelec, Senegal's debt-ridden, ineffectual electricity parastatal will receive an infusion of CFA 65 billion (USD 130

million), which should help it get current on accounts (but is not enough to help with transmission problems and the lack of generating capacity).

¶15. (U) Sarr also noted that the revised budget will allocate CFA 99 billion (USD 198 million) to support the country's 2006-2010 Poverty Reduction Strategy Paper (PRSP) goals, which call for combating rural poverty and improving health care, education, and governance. He did not specify how the allocation would be divided or what sectors would receive money.

¶16. (U) Sarr insisted that Senegal is not bankrupt and the treasury bond issuances do not mean that the budget deficit is critical. He admitted that Senegal's fiscal deficit is severe but manageable. [Note: The GOS does have a serious fiscal deficit of close to USD 600 million, almost six percent of GDP, up from about three percent in 2004-2005, to 5.5 percent in 2006-2007. The IMF recently raised the alarm that Senegal's budget deficit could reach ten percent of GDP in 2008. The government has been roundly criticized by donors, the IMF, and Senegalese commentators for its funding choices that include a new Senate, civil service wage increases and perks, and the commitment of significant resources for preparations for the OIC summit. End Note.]

MORE MONEY IN THE PIPELINE

¶17. (U) Minister Sarr was silent on what the government plans to do with new, unbudgeted resources headed its way, although he speculated that these would be included in the FY 2008 budget. These include USD 200 million from the sale of a third telephone license to Sudatel (a Sudanese consortium) and the collection of taxes from passenger airline tickets to support the building of a new international airport, whose dedicated account is currently estimated at USD 58 million. In addition, President Wade recently confirmed that the government planned to sell its holdings in some of the country's largest firms, including its 25 percent stake in the major telephone company Sonatel, worth perhaps USD 600 million, as well as government shares in the phosphates mining company ICS,

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and a major public transportation company.

COMMENT

¶18. (SBU) While the GOS has a good record of presenting its budget plans and outlining its revenue sources, the Wade administration has routinely been criticized for its spending priorities and lack of transparency with its public expenditures. If used wisely, an extra USD 198 million on poverty reduction activities could benefit the less well-off citizens of Senegal. The money to help recapitalize Senelec may give the company a bit of breathing space to get organized and better address the country's frequent power outages if it is used to good effect. The allocation of funds for renovating luxury hotels in preparation for the OIC is less justifiable. While the government is very much under the gun to meet expectations for the March gathering, many of the projects and priorities for the OIC summit have been poorly and opaquely managed. Moreover, we question why a country that is struggling to fill a \$4 billion gap needed to implement its poverty reduction strategy should instead spend \$200 million to renovate a hotel.

¶19. (SBU) Though not included in this supplemental budget, Sudatel is scheduled to deposit USD 100 million before January 2008. If that happens, we anticipate it being committed to some of President Wade's priorities right away, rather than wait for the 2008 budget. All the same, we hope that budget planning for 2008, currently being finalized, will demonstrate that the government understands it can no longer postpone critical reforms to lower its fiscal deficit and will demonstrate a new commitment to improving the effectiveness of its public finances.

¶10. (SBU) Visit Embassy Dakar's intranet site at: [http://dakar.state.gov/htdocs/section/econsec tion.aspx](http://dakar.state.gov/htdocs/section/econsec%20tion.aspx) and Embassy Dakar's SIPRNET Web site at <http://www.state.gov/p/af/dakar>.

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